

**ECONOMIC DEVELOPMENT ADVISORY COUNCIL  
OCTOBER 15, 2008  
301 SOUTH PARK - ROOM 228  
HELENA, MT**

**PRESENT**

Jim Atchison

Kathy Bailey

Senator Jerry Black

Sheila Hogan

Elizabeth Marchi

Corlene Martin

Joe Menicucci

Tony Preite

Richard Sangrey

Senator Trudi Schmidt

Jim Smitham

Paul Tuss

Representative Dan Villa

**ABSENT**

Evan Barrett, Chair

Representative Roger Koopman

Jim Lee

Estelle Tafoya

Linda Twitchell

Tony Rudbach (deceased)

**COMMERCE STAFF PRESENT**

Ann Desch

Gary Morehouse

Quinn Ness

Andy Poole

Fran Viereck

Janice Wannebo

**GUESTS**

Ingrid Childress, Administrator, Workforce Services Division, Department of Labor & Industry

Shannon Harris, Executive Director, Sweetgrass Development

Keith Kelly, Commissioner, Department of Labor & Industry

Billie Lee, Executive Director, Lake County Community Development Corp.

Jason Rittal, Executive Director, Eastern Plains Economic Development Corp.

Director Preite called the meeting to order at 10:17 a.m. With the absence of Chairman Barrett, Director Preite requested that Commerce Deputy Director Poole chair the meeting.

Director Preite began the meeting with a moment of silence in recognition of Tony Rudbach's life. Rudbach recently passed away unexpectedly and served on this council since its creation in 2003. Director Preite also acknowledged that a special lab was dedicated at MonTECH at the University of Missoula in Rudbach's honor. Rudbach will be sadly missed but always remembered.

Wannebo proceeded with roll call of the council members and determined a quorum was present at the meeting. Council and audience introductions followed.

**Bailey MOVED to approve the draft of the June 19, 2008 minutes as submitted. Marchi SECONDS the motion. Motion passed unanimously.**

## **GOVERNOR'S ECONOMIC DEVELOPMENT INITIATIVES IN ECONOMIC DEVELOPMENT**

Deputy Director Poole reported that the Department of Commerce has been working on numerous projects but the primary one is the renewal of the 2010 appropriation for the statutory Economic Development Programs. Currently, we have approval through the Governor's Office to draft a bill and moving it forward with an extension of the sunset date for an additional nine (9) years. Commerce does not know what the situation is relative to any inflationary adjustments that may happen with the 2010 programs. This Council previously recommended to the Governor the extension of these programs with the actual elimination of the sunset date and an inflation adjustment rate of 30%-33% in which a pool of money is available to the programs based upon need and not necessarily distributed evenly across the board. During another EDAC meeting, this Council also recommended the extension of the one-time-only (OTO) programs that exist in the Department of Commerce (i.e. the new Worker Training Program, Indian Country Economic Development (ICED), the Main Street Program and the Montana Marketing Technical Assistance which is part of the Made in Montana Program and to include them in the base budget so they would not be one-time-only programs in the future. At this point, it is a Budget Director/Governor decision as to whether these programs would be one-time-only again or whether they would be placed in the Governor's budget as a base level item. If it is requested as a base level item, it would still be considered a new proposal for this session so it would require a majority vote to place it into the budget. Deputy Director Poole reported that Chairman Barrett indicated that the Administration has taken a general position not to put any one-time-only programs in the base budget at this time until we see how much money is available in October. Currently, we do not know how much money is available and we are unsure if the Governor's budget will include the recommendation to place these one-time-only programs in the base budget.

Marchi asked about the Main Street Program and its funding. Poole indicated that in two different Legislative sessions the Main Street Program received \$125,000 each session in one-time-only funding.

Senator Black asked when to expect the Governor's budget to be released? Representative Villa indicated that statutorily it has to be released by November 15, 2008.

Deputy Director Poole distributed a handout from Chairman Barrett entitled "Montana's on the Move – Governor Schweitzer's Economic Development "Vision" for Montana" which provides an update on the state's current economy. At the present, Montana's economy seems to be avoiding a lot of the financial troubles facing the U.S. economy but of course we are not totally immune to that. In the last couple of weeks commodity prices have been dropping, some fairly significantly. But as far as Montana's economy, it still looks relatively good. The sector that seems to be hurting the most, at this point in time, is the construction industry because of housing and real estate prices. The Legislative Finance

Committee met last week to discuss the economy. Senator Schmidt, who attended the meeting, reported they are waiting to see what is going to happen with oil and gas. The retirement systems are constitutionally protected. Senator Schmidt also indicated that when the budget was presented they set aside approximately \$250 million as a reserve for economic uncertainty. Another meeting is scheduled on November 17, 2008 and at that time the state should have a better economic picture. The committee also discussed ways to have the state agencies track trends that Legislators should be aware of.

Senator Black thinks there will be significant drop in oil taxes since oil production is down about 14% in Montana and a lot of rigs are moving into North Dakota. The current price of oil is \$78 per barrel. If it stays at these low prices, it is going to be a significant effect on our economy and taxes.

Representative Villa reported copper prices are down and wheat prices are falling. On the other hand, there are some good things such as additional wind farms going into operation. Anaconda should have a \$206 million power plant operational in the near future with taxes paid on that project over the next biennium. Hopefully some of these construction projects can bridge the gap. Representative Villa believes we are facing a perfect storm (inflationary pressures as well as the recession pressures at the same time) and the state's budget will reflect that. He believes the next session will be "belt tightening". From his perspective, he does not anticipate a lot of new programs or new money.

Director Preite stressed that during these times we need to be diligent and not reduce the efforts that provide the resources necessary to continue to create new job opportunities. The worse thing that can happen is to "unduly" reduce the resources in those programs that create the taxable funds that come back into the state. Director Preite also hopes to see an escalation of funds especially in the programs that have proven to be "money makers" for the state. We can not lose sight of our goal which is continued economic expansion.

Representative Villa asked the practitioners within the Council if it is an accurate statement to say that as businesses begin to see the light at the end of the recession, that they are going to capitalize on the "boom" that follows a recession, do these programs discussed today align Montana businesses in the future to receive our share of the economic portion of the "boom"?

Marchi feels our lending programs are "key" to keep the money flowing and that we should obtain more loan fund money.

Deputy Director Poole asked Council members to briefly explain economic projects in their areas:

Northwest Montana (Flathead Area)

Marchi indicated the Flathead area has been seeing a lot of real estate and appraisal companies expanding. Regarding the Angel Fund Investments, there

is a lot of innovation happening in Montana concerning technology and bio-science. They are also working on organizing other private capital because with the situation in the investment market they would much rather have their money in Montana where they know where it is.

#### Choteau/Hi-Line Areas

Martin reported that she attended the Montana League of Cities & Towns conference in Missoula and a lot of questions were being asked about the Treasure State Endowment Program (TSEP). The communities are trying to figure out ways to improve their infrastructure system so they can support the jobs and housing that are coming to their areas. Deputy Director Poole added that infrastructure has unfortunately been out of sight and mind for too long and communities' infrastructure is falling apart becoming a huge issue.

Tuss reported a slow down in certain segments of their economy but they have also noticed when a project goes out to bid they have an incredible number of contractors that want the business. Two years ago, the project would have been lucky to get two bids. Tuss believes we need to be positioned, as a state, to be ready as things get economically better.

#### Bozeman/Belgrade Area

Meniccuci indicated that construction in the Gallatin area is down mainly due to banks hesitant to make any new loans at this time. Two years ago, in Belgrade, they experienced a similar issue with their infrastructure projects where they could not get bidders but now there seems to be increased interest in bidding on those projects. The larger projects still do not have as much competition as the smaller projects. If you don't maintain infrastructure, catching up is not easy. Meniccuci reported they still have some activity in light manufacturing and a little growth despite the current state of the economy.

#### Southeastern Montana

Atchison noticed the same issue concerning the number of bids for infrastructure projects in southeastern Montana. Housing and labor continues to be a big challenge. A lot of businesses would expand if they had qualified labor, so the Work Force training continues to be an opportunity especially in the bigger energy projects (i.e. engineers, boiler makers, electricians, welders). Again, fuel prices are dragging on their economy due to the large distances to get around. Atchison still sees a lot of interest in energy projects in southeastern Montana.

#### Rocky Boy Indian Reservation

Sangrey, Chief of Staff of the Chippewa Cree Tribe, indicated they are negotiating an oil and gas deal along with wind energy and currently they are in the design phases for a water system and sewer plant. There are some projects they were hoping would go through but they are waiting for the elections since they have five (5) Council members whose terms are up for re-election. They are waiting to see if the Indian Council will be "pro" economic development or don't want to see change. Sangrey reported the economy is hitting the reservation hard. There are a lot of farms and ranchers on the reservation and as prices

drop on cattle and wheat they are affected. Yet propane prices continue to go up which also affects a lot of people on the reservation.

#### Helena Area

Hogan, Executive Director, Career Training Institute, reported they still see an increase demand for work force services, families are under a lot of stress, demand for gas assistance is very high, TANIF cases are starting to increase, employers looking for trained employees, and the University of Montana's (Helena) enrollment is up again this year. Hogan does not see the economic downturn in Helena as dramatic as the rest of the country.

#### Butte/Silver Bow Area

Smitham indicated that Butte is doing quite well. Activity level is high with four good size projects that would employ between 60-150 employees with manufacturing, research & development, and technology based companies. The price of copper is down but they still make money on any price over .83¢. Montana Tech has its 2<sup>nd</sup> highest enrollment ever, have erected a new building that came in \$2 million under budget which also demonstrates the fact they are hungry in the construction world. In the larger companies, they are continuing to expand and are even sold out for the next five years. The smaller companies are more hesitant with a "wait and see" attitude. They manage nine (9) different loan funds and they saw very little activity last year, however, they did see a little spike towards the end of summer. Seeing a lot of retail increase in Butte. They never use to see residential "spec" housing but they are now being built. There are twelve (12) different sub-divisions being built in the area. Smitham added that with elections near he hopes the economic increase in his area does not change.

#### Central Montana (Lewistown Area)

Bailey, Executive Director, Snowy Mountain Development Corporation, stated the way Montana operated in the past is probably to our advantage right now when the rest of the nation is in the economic slump.

The Bull Mountain Coal Mine is moving forward with 61 employees currently and anticipating hiring another 18 in the near future and they expect to be near 200 employees within the next 2-3 months. They are building a rail spur between Broadview and the mine with round the clock shifts. Bailey reported that Snowy Mountain Development Corporation is not seeing the economic affects other areas have seen. Construction has slowed a little but remains very active. They have not had a lot of activity in their revolving loan funds (RLF) and has also noticed that business are hesitant. The larger companies that do not need Snowy Mountain's support are moving forward with their projects. In addition to the Signal Peak Energy project, the Carpenter Creek project is moving forward. The CEO of Signal Peak's next mission is to look for other areas of Montana (Stillwater, Judith Basin). Agriculture has a big impact on her region but the six (6) counties in central Montana has a more diversified approach to their economy which will help in the long run. They have had a lot of interest in the forest products (small diameter) using private timber in the region which is sometimes

easier to access compared to state and federal timber. Bailey also agrees we need to continue to have tools available so that when the time is right for the businesses they can expand.

#### Shelby Area

Senator Black stated in the counties of Toole, Glacier and Pondera, probably had the best summer since the 1950's. With the Glacier Wind Farm construction, the restaurant and bars enjoyed a great summer and most communities in the area experienced near capacity in their hotels/motels which was a great economic benefit. The Glacier Wind Farm came on-line this week sending out power on the northwestern grid to California. The Glacier Wind Farm will have a total of 140 wind generators (1<sup>st</sup> phase of 71 wind generators recently completed and the other 69 wind generators after the first of the year). The wind/energy tax incentives were passed during the nation's economic bail out bill. It looks as though the Montana Alberta Tie ("MATL") transmission line between Alberta and Great Falls will start construction by the spring of 2009. With the MATL, there are more wind projects proposed by NaturEner, we could see as many as 300 more wind towers built north of Ethridge up to Sunburst which could precipitate approximately \$1 billion worth of investments in that area.

Senator Black also reported that Cross Roads Correction center (private prison) needs 25 more employees and are looking for workers all the time. Other projects include the urgent need for housing ("spec" houses in Shelby & Cut Bank) which is hindering growth. Homeland Security is a major economic influence in their area. He recently heard they have openings for approximately 50 employees but they also need housing to replace the border security personnel. They are also building a 30,000 square foot facility in Sun Burst. The City of Shelby just completed a major water line improvement. Senator Black reported that farmers had a good crop even though the prices were down. He believes the business sector has done quite well and even the auto dealers have done quite well and he sees nothing but an uptrend in their economy.

#### Great Falls Area

Senator Schmidt referred to Shannon Harrison, Executive Director of Sweetgrass Development in Cut Bank, who reported the Office of Economic Adjustment Study received funding recently to conduct an impact study on the removal of Malmstrom Air Force Base from the Great Falls area to be completed within eight (8) months. Agriculture, energy & entrepreneurship will be looked at in the study. Senator Schmidt reported that Brett Doney, Executive Director of the Great Falls Development Authority, has done a good comprehensive job in the different areas of economic development. From her perspective, there seems to be a certain amount of optimism in Montana.

#### Southwestern Montana (Anaconda Area)

Representative Villa indicated they have never been busier then they have in the past 12-18 months. The northwestern Mill Creek Generating Station, the Montana Alberta Tie Line and Northwestern Energy proposed the Montana States Transmission Intertie (MSTI) line (\$800 million project) to be centered out

of Mill Creek. The next logical phase would be to upgrade the old Morrell line from Anaconda to Great Falls which will allow a 500 kilovolt line from the Canadian border down to California.

Representative Villa also reported that they have established another tax increment district. The area's water lines and infrastructure continue to be upgraded mainly due to BP Arco. Anaconda Local Development Corporation's loan funds have been moving fairly well. They are facing a lot of opportunity but yet are facing a lot of short falls (with employees); health care is doing well in the area; along with building numerous partnerships. He feels they are uniquely positioned to benefit long-term based on the energy economy. He has also noticed an increase in the number of bids for projects.

Deputy Director Poole referenced the last page of the handout from Chairman Barrett which mentions the 2010 Sunset Programs which is pretty much in-line with what this Council advised the Governor to do with this particular issue which is encouraging.

#### **INCUMBENT WORKER TRAINING PILOT PROGRAM**

Keith Kelly, Commissioner for the Montana Department of Labor, acknowledged that it was helpful to hear each Council member's report on economic development in their regions. Kelly reiterated that it is critically important at this time not to shrink back the programs that create jobs (infrastructure, health care, education) in order to get through this financial crisis.

Kelly distributed a handout entitled "Incumbent Worker Training". During the last session, they received a \$225,000 per year appropriation with statutory authority for the Incumbent Worker Training Program. These funds were used in Region 4 consisting of Judith Gap, Fergus, Petroleum, Wheatland, Golden Valley, Musselshell, Park, Sweet Grass, Stillwater, Carbon, Yellowstone and Big Horn counties. This program is targeted to smaller businesses which do not have the resources to train their existing employees but yet they want to investment in their employees. Employers with 20 or fewer employees can receive up to \$2,000 per worker with a 20% match and any money beyond that is allocated to the worker which continues to receive their wages while they are being trained. Businesses with incumbent worker training needs should contact their local Job Service Workforce Center.

The Incumbent Worker Training Program is different then the New Worker Training Program mainly because of the investment in the employees. Kelly indicated that the Incumbent Worker Training Program has worked beyond his expectations at this point. The Department of Labor & Industry has noticed approximately a \$232 quarterly increase in wages to employees. The program benefits the employer by increased production, sales and competitiveness and the employee benefits by increased wages, promotions and transferable skills. The Department of Labor & Industry is poised to administer this program statewide through their established network of 24 Job Service Workforce Centers and other partnerships they have formed (i.e. chambers, universities, private

colleges and apprenticeship programs in the high schools). Kelly's biggest surprise and why he believes it has been so successful is the active involvement with the Business Employment and Retention (BEAR) program. Kelly indicated the Department of Labor & Industry is also still working on their budgets for the next biennium.

Bailey stated that when their area began working with the BEAR program she was a skeptic but soon became one of the largest fans of the program. She also agreed the BEAR program is a good alliance with the Incumbent Worker Training program which is part of the reason for the program's success. Bailey mentioned that several businesses have not moved forward in the Incumbent Worker Training Program because the local group has directed them to meet all the state requirements (in the BEAR Program) to help the business be a solid business before we allow them access to the Incumbent Worker Training funds. On two occasions they used Incumbent Worker Training funds along with New Worker Training funds to train employees on changing certain aspects of how they were doing business (example: insurance company becoming the insurer in lieu of being the agent).

Marchi asked the Legislative Council members if they have seen an aggregate statewide BEAR report and she thought this Council should promote that database. Representative Villa indicated the Gloria O'Rourke with the Montana Economic Developers Association (MEDA) does the statewide BEAR report if anyone is interested.

Billie Lee indicated that manufacturing businesses are growing in western Montana but they are required to re-certify their employees to compete with export markets. A solid Incumbent Worker Training Program is critical to support manufacturing and its continued growth.

Both Senator Schmidt and Senator Black stressed the importance of the Council members to contact their local Legislators and discuss the benefits these programs provide to their local communities prior to the next session. It is important for everyone to approach their local Legislators before the session starts but after the November general election.

Tuss asked if there are any plans for projects that currently use the WIRED program to fill the void once the WIRED program is gone. Kelly felt the WIRED program may be reinvented under a new Administration but he doubts there will be any money due to the current economic situation. Kelly added that we really need to tie in the OPI piece better which he believes would be better overall.

Atchison asked Kelly about the Apprenticeship Program and whether it is part of the pilot WIRED program. Kelly reported the Apprenticeship Program is funded out of the Unemployment Security Account. The Department of Labor & Industry realigned resources to enhance this program to expand into different areas (i.e. nursing, etc.). Kelly indicated that during the last 20 years a lot of Montana's skilled labor moved to Spokane and Seattle so we became a "deficit" state in the



apprenticeship skills at the level of economy we would like to have. Ingrid Childress, Administrator for the Workforce Services Division, reported that 85% of our apprentice's are earning their wages in Montana but what we often lose is the college graduates.

Deputy Director Poole indicated the higher wages that Montana is experiencing is part of our effort in economic development and the shortage of labor is helping to do that which is not necessarily a bad thing because people have to hire at higher wages.

Bailey clarified that the statutory authority is in place for this program and asked what would need to be implemented? Kelly reported that what is needed is the money which was \$250,000 per annum and Kelly suggests at least looking at a \$1 million appropriation but to make it work statewide at the level it has been working would probably need a couple million. As indicated earlier, DLI has identified \$1 million from the State Employment Security Account but the other \$1 million is lacking.

**Bailey MOVED to recommend to Governor Schweitzer a \$2 million level for the Incumbent Worker Training program in the Department of Labor (\$1 million from internal DLI funds and the other \$1 million from other sources. Smitham SECONDS the motion.** The motion was open for discussion by the Council. Marchi wonders if this motion will put them in a competitive situation with financing the sunset programs. Kelly responded that DLI would like more enhancements to these programs (i.e. a balanced package) without competing against other programs. Marchi wonders if this Council should make a dollar recommendation or recommend a motion that supports the program overall. **Bailey AMENDED the motion to support and enhance/increase the funding for a statewide Incumbent Worker Training Program. Smitham SECONDS the amended motion. Motion passed unanimously.**

Again, Senator Schmidt can't stress enough the importance of the Council members talking to their local Legislators and educate them about the programs and their importance prior to the session beginning.

Deputy Director Poole acknowledged the Department of Commerce receives a BEAR report each month from MEDA with an annual summary expected in January 2009. The September 2008 BEAR report was distributed to the Council. The Business Expansion and Retention program is where people in economic development work with their local businesses through an interview process to find out what issues and/or trends need to be addressed for that business. The Governor's Office of Economic Development provides funding through the Department of Commerce and we contract with MEDA to operate the statewide BEAR Program. The state pays for software training and the local groups pay for the maintenance on the BEAR software. Participants in the BEAR Program are finding it universally beneficial in terms of business development in their local communities. Smitham indicated in Butte, through discussions, accounting systems were not up to speed so they co-sponsored 3 workshops on

QuickBooks and attendance was full. Bailey reported that some of their small business were not able to receive credit card orders due to costs associated therefore they now have a web company that built a site entitled "growmontana.com" as an opportunity for the small businesses to participate. Tuss added that taxes and regulatory requirements are also included in BEAR program.

### **TREASURE COMMUNITIES SURVEY**

Deputy Director Poole reported that Chairman Barrett requested that this Council take no action during this meeting on the Treasure Communities in his absence. Ness began with the initial survey of the MEDA members which were discussed briefly at the last EDAC meeting. It was then suggested that a breakout session be held during the MEDA conference. Ness was not able to attend the breakout session but some Council members were present. Tuss indicated that during the breakout session at MEDA one concern was not enough surveys were received back (approximately 1 dozen). The majority of the surveys were from the CRDCs which are regional rather than local. Previously, the Certified Communities Program was a designation program for local development organizations then the Certified Regional Development Corporations (CRDCs) were created which are regional in nature. In 2003, HB 76 Section 90-1-116 MCA (d) states "Treasure Community" means a community that meets and maintains requirement for certification established by the Department and administered by the CRDCs. HB 76 also states the CRDCs shall administer the Treasure Community designation and reporting process for the communities and counties in the region. The Department of Commerce has been wrestling with this idea for five (5) years now and there is still no Treasure Communities Program partly because the CRDCs don't see a need for it and there is no rallying across the state to create the program. Director Preite thought that since there is no demand then he understands why the CRDCs are not interested in promoting the program and thought we should leave it the way the language states and see if during the next 2 years there is a need or demand for this program.

Tuss suggested getting feedback from Council members who serve on LDO's (Representative Villa and Jim Smitham) about the Program.

Representative Villa indicated that in Anaconda they have a situation where they already had the Anaconda Local Development Corporation (ALDC) and then someone creates another competitive organization that has no economic development experience to "throw wrenches in the works". If that is not pervasive across the state, he does not see the need for Treasure Communities designation for the LDOs. But if we have the Treasure Communities Program has a mechanism to recognize the LDOs (the people doing the work under the CRDC program) then he can see a legitimate purpose.

Marchi believes that we need to recognize LDOs as "players on the stage" because there are a lot of functioning LDOs that will remain functional and the CRDCs are evolving in their regional purposes. Director Preite believes the

LDOs should be working in close coordination with CRDCs and are the “life blood” of the communities. During the next two years, the CRDCs should assess the demand for the Treasure Communities “title” within their regions and report back to this Council on its findings. Smitham added that during the “old” Certified Communities Program he liked that the program forced a community to get “their ducks in a row” to be prepared for the client/business that walks in the door for assistance. That organization was recognized as the “lead” economic development organization within that community. Under our current structure of having multiple economic development organizations in a community is confusing to the business. Senator Black recalls an incentive for being a “certified city” based on population. Money is a great incentive but once it is gone there was no other benefit to the program. Senator Black does not recall where they had any business attraction to their community as a result of that program. Designating each community as “Treasure Community” would divide potentials funds into such small portions that communities could potential receive as little as \$800.

Deputy Director Poole also mentioned this Program is “sitting out there” for a potential audit finding and he would rather have direction not to do anything at this time if that is what the Council would like to do.

**Representative Villa MOVED that EDAC request that the Department of Commerce not promulgate any rules in regards to the Treasure Communities until further action by the Economic Development Advisory Council. Marchi SECONDS the motion. The motion passed unanimously.**

Discussion: Senator Schmidt asked Representative Villa what he would do to make this program work. Representative Villa indicated he would have the Treasure Communities Program through the CRDCs but have each community document the infrastructure of their community. Furthermore, ensure the CRDCs, the county Governments, and the LDOs know which organization is the lead economic development organization in their community so we have a process in place that won't confuse clients. He also believes there should be guidelines for the Treasure Communities.

#### **SBDC PROGRAM UPDATE**

Ann Desch, SBDC Director, distributed three (3) handouts: 2007 Annual Report, SBDC Lead Center 9/08 benefits summary, and the SBDC Program Update listing the activities and accomplishments of the SBDC program. The SBDC Program is part of the 2010 Coalition. Desch indicated the SBDC State Advisory Board approved the following five goals as part of their strategic plan for 2007-2010:

1. Increase funding;
2. Continue implementing best management practices;
3. Increase stakeholders support;
4. Increase client satisfaction and small business success;
5. Improve SBDC employee/partner satisfaction and performance.

In January 2008, the Legislative Audit Report contained the following:

- The SBDC Program is delivering benefits to participants; no duplication; unlikely that SBDC functions would be provided solely by the private sector.
- Participation in the SBDC Program appears to provide small businesses in Montana with significant benefits.
- Montana has been effective in using host agency contributions.
- Formula for allocating limited funding is acceptable.
- Montana SBDC has improved in its effectiveness in serving Indian Country and will continue to improve in serving Veterans.
- The Montana SBDC has improved in standardizing and improving consistency in the reporting definitions and outcomes data to improve the reliability of the reporting system.

Desch also reported that despite 10 years of the same state and federal funding, with slight increases each year from the Department of Commerce, the lead center was able to allocate funding for FY2009 to keep all SBDC centers fully operating due to the added Department of Commerce Community Development Block Grant (CBDG) funding and an increase of \$40,000 from SBA.

Marchi asked about the high turnover in the SBDC network. Desch stated that in 2006-2007 seven (7) out of ten (10) SBDC counselors left the network for many reasons but one is attributable to low pay and high demand/work load. The average SBDC salary is \$40,000-\$43,000 in Montana. Atchison indicated that turn over in his area is due mainly to other businesses attracting the SBDC counselor to a better job. Deputy Director Poole indicated the biggest challenge for this Program is financial and managing a network that has not seen additional funding in the past 10 years and the results were that services and wages suffered. Unless more money is provided to the SBDC network, the services will continue to diminish. Desch reported there is a Funding Committee that is looking at various ways to raise money.

## **OLD BUSINESS**

### Statewide RLF Website

Atchison reported that during the last EDAC meeting it was suggested that the state should create a statewide RLF website/directory or database that would list the funding sources available for small businesses. Fran Viereck stated she did survey all of the CRDCs but the data has not been compiled yet. Deputy Director Poole reported that when the Department has the information compiled from the survey we will share it with the CRDCs and the Council. Morehouse acknowledged this already exists on the Department of Commerce's website but the information is outdated. Commerce will work towards updating the website and will notify interested parties once it is updated.

#### Industrial Revenue Bonds

Marchi thought the State of Montana needs to small issue Industrial Revenue Bonds (IRB) of \$20 million or less. The Department of Commerce Board of Investment (BOI) has done IRBs but only at a very large level. They need to be bankable/healthy projects. Marchi would like this discussed by EDAC in the future. Deputy Director Poole will have the Board of Investments (BOI) address both the IRB and the Facility Finance Authority programs during the next meeting.

#### Shovel Ready Program

Smitham is still very interested in what the other states are doing with their Shovel Ready Program and would like to see that program moved along also. Deputy Director Poole indicated the Department of Commerce has submitted a request to the Budget Office to create a Shovel Ready Site Program for Montana. When the Governor's budget is released we will find out whether or not we would be pursuing that effort. Senator Black asked what the difference is between Shovel Ready Community and an Industrial Park. Smitham indicated an Industrial Park can be a designated area but the infrastructure may not be all in place. Shovel Ready means it is ready for construction and the infrastructure is in place.

#### Tax Increment Financing

Senator Schmidt asked about the status of the Tax Increment Financing (TIF) legislation and whether it will be introduced this next session. Smitham was unsure whether there will be legislation introduced. Representative Villa indicated the discussion was to take the industrial districts, technology districts and aerospace districts and combine those 3 into an economic development district with the ability to do any one of the 3 as part of 1 district. One issue he sees with TIFID is that if you remit some TIFID funds to the local governing bodies and they don't have the capacity to spend that money then all they are doing is buying down the mills for the following tax year which in turn buys down your ability to bond calling into question the bond payments.

#### Brucellosis

Senator Schmidt referenced the minutes from the previous Council discussion regarding the Brucellosis issue and wondered the status of that issue. Representative Villa has not had an opportunity to meet with Chairman Barrett on this issue following the last EDAC meeting. He indicated that a State Task Force has been formed and they are working to get our brucellosis free status back. Representative Villa still believes this Council should be concerned about this. Since Commerce tracks Montana's exports it would be helpful to see how pre-brucellosis and post-brucellosis exports are affected to see if Montana has lost major market share because of this issue. Deputy Director Poole indicated that the federal government tracks exports by port instead of state-of-origin which makes tracking difficult.

Treasure State Endowment Program (TSEP)

Representative Villa inquired about TSEP since the last Legislature and wondered about its status. Director Preite indicated the Department of Commerce is prepared to provide the amount of money requested by all 56 applicants providing they meet the provisions of the contract which states they have the funds available along with the TSEP funds to complete the project or in those cases where a reduction in the cost of the project would not significantly or materially change the intent of the project. Several projects have not been able to secure the matching funds (\$1:\$1) necessary to complete the project.

A report entitled "Status of Start-up Conditions of 2009 Biennium TSEP Projects (as of 10/15/08)" was distributed and reviewed. The current issue in TSEP is funded by the Coal Tax Trust fund and the interest from that Trust is used to fund the TSEP projects. Over the last biennium approximately \$17 million of interest was generated. The Legislature approved all the projects on the list amounting to approximately \$31 million so any projects funded over the \$17 million will need to borrow the difference from BOI which will diminish the amount of TSEP funding that is available in the future while the loan is being paid off. The Legislature can't continue to fund all the projects every year. Representative Villa acknowledged that by doing it that way, it reduces the "buying power" of the TSEP program. Menicucci suggested removing it from the Legislature and allocate the funding so it can be done annually and possibly placing it under the Department of Commerce. These projects can't wait every 2 years for Legislative appropriations. MEDA tried this previously but there was not interest from the Legislature.

Director Preite mentioned a new development with housing at the federal level "New Neighborhood Stabilization Program" passed by HUD with \$19.6 million to Montana administered by the Community Development Block Grant (CDBG) Program. Director Preite reported that HUD wants to have every state's plan within 30 days (by November 15, 2008) and once the plan is submitted you can't change it and if the funds are not spent they revert back. Director Preite plans to approach our congressional representatives to discuss this issue. Martin added that she attended the League of Cities and Town meeting where Gus Byrom presented the housing program which was well attended but as soon as the 30 day deadline was mentioned it hindered the possible applicants.

Bailey and Atchison both have a common issue in regards to infrastructure in coal country. They feel the Coal Board is underfunded to meet the demands of the impacts of these new locations and projects that are occurring. The local communities have no ability to recover the impact of the coal extraction (i.e. gravel roads, etc.) if the mine is located in a different county.

**PUBLIC COMMENT**

Jason Rittal, Eastern Plains Resource Conservation & Development in Sidney, spoke about the flood plain issue which should be of economic concern for this Council. In the Glendive/Sidney area, it will impact the expansion for new businesses and/or neighborhoods. The Army Corp of Engineers is conducting

studies that may potentially realign town boundaries. There are some communities along the Yellowstone River that would move significant portion of a town into a flood plain which has huge impacts on insurance and other factors. Deputy Director Poole indicated that may be an issue this Council wants to explore in the future.

Billie Lee, Executive Director of Lake County Community Development Corporation, that includes Mineral, Lake, Sanders and Lincoln counties, reported that Lake County is involved with bio-energy with high technology companies and their area's economic development is still quite healthy. She concurs with earlier statements that not having basic community infrastructure is huge and is at the very heart of all our communities being able to develop their economy.

Lee also requested the Department of Commerce to consider adding another SBDC in western Montana to meet the demand. The Missoula and Kalispell SBDC sub-centers are doing a good job but they are overwhelmed when it comes to reaching the rural areas.

#### **NEXT MEETING**

The next meeting will be scheduled in the spring of 2009 following the Legislature.

#### **ADJOURN**

Marchi **MOVED** to adjourn the meeting at 3:12 p.m. Bailey **SECONDS** the motion. Motion **PASSED** unanimously.



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Respectfully submitted